

Gladbrook-Reinbeck Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2004

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## **Gladbrook-Reinbeck Community School District**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### **Board of Education**

##### **(Before September 2003 Election)**

Kelly Dinsdale	President	2003
Sherri Denbow	Vice President	2005
Cindy Blaine	Board Member	2004
Mike Bearden	Board Member	2003
Ed Ohrt	Board Member	2004
Theodore Hamer	Board Member	2005
Rick Lockhart	Board Member	2005

##### **(After September 2003 Election)**

Kelly Dinsdale	President	2006
Sherri Denbow	Vice President	2005
Cindy Blaine	Board Member	2004
Douglas Rowe	Board Member	2006
Ed Ohrt	Board Member	2004
Theodore Hamer	Board Member	2005
Rick Lockhart	Board Member	2005

#### **School Officials**

Dennis Modlin	Superintendent	2004
Debra Oleson	District Secretary/Treasurer	2004

Independent Auditor's Report

To the Board of Education of  
Gladbrook-Reinbeck Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District, Reinbeck, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Gladbrook-Reinbeck Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated September 1, 2004 on my consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Keith Oltrogge", is centered on a light blue rectangular background. The signature is written in a cursive, flowing style.

Keith Oltrogge  
Certified Public Accountant

September 1, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,677,228 in fiscal 2003 to \$5,744,833 in fiscal 2004, while General Fund expenditures increased from \$5,646,620 in fiscal 2003 to \$5,778,362 in fiscal 2004. The District's General Fund balance decreased from \$210,894 in fiscal year 2003 to \$167,365 in fiscal year 2004, a 26% decrease.
- The increase in General Fund revenues was attributable to a small increase in state and federal grant revenue in fiscal year 2004. The increase in expenditures was due to an overall small increase in almost all categories of expenditures. As a result, the District funded a portion of the current year General Fund expenditures from the carryover fund balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$9,692 in fiscal 2003 to \$5,863 in fiscal 2004.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gladbrook-Reinbeck Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gladbrook-Reinbeck Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gladbrook-Reinbeck Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Gladbrook-Reinbeck Community School District Annual Financial Report**

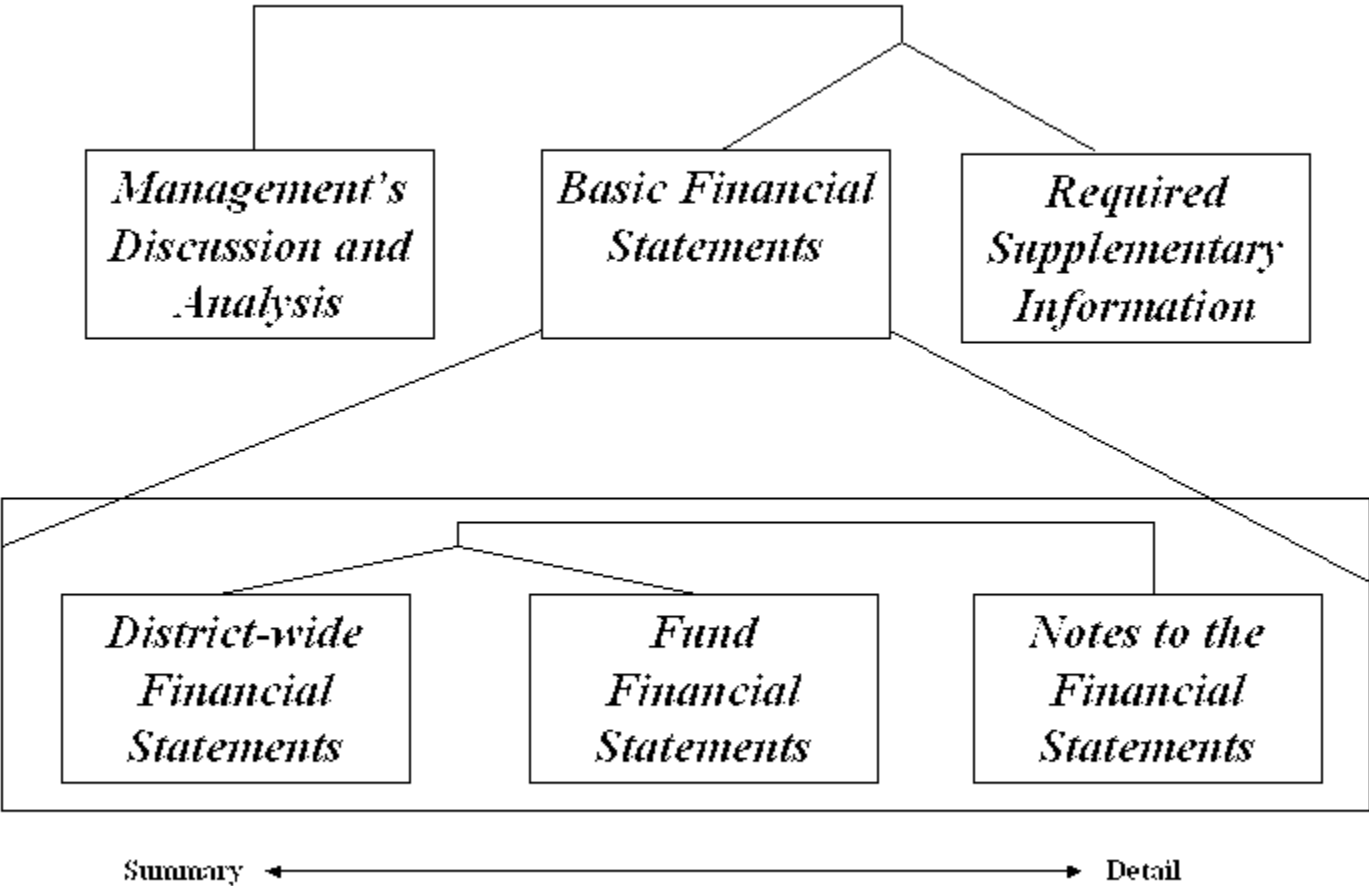


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid





## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Swimming Pool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds Agency Funds.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of the District.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purpose and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,300,246	\$3,340,624	\$27,535	\$23,034	\$3,327,781	\$3,363,658	-1.1%
Capital assets	986,961	940,986	9,926	10,797	996,887	951,783	4.7%
Total assets	\$4,287,207	\$4,281,610	\$37,461	\$33,831	\$4,324,668	\$4,315,441	0.2%
Long-term liabilities	\$59,152	\$60,063	\$-	\$-	\$59,152	\$60,063	-1.5%
Other liabilities	2,777,617	2,730,475	11,649	10,725	2,789,266	2,741,200	1.8%
Total liabilities	\$2,836,769	\$2,790,538	\$11,649	\$10,725	\$2,848,418	\$2,801,263	1.7%
Net assets:							
Invested in capital assets, net of related debt	\$986,961	\$940,986	\$9,926	\$10,797	\$996,887	\$951,783	4.7%
Restricted	8,840	35,069	-	-	8,840	35,069	-74.9%
Unrestricted	454,637	515,017	15,886	12,309	470,523	527,326	-10.8%
Total net assets	\$1,450,438	\$1,491,072	\$25,812	\$23,106	\$1,476,250	\$1,514,178	-2.5%

The District's combined total net assets decreased by nearly 2.5%, or \$37,928, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$26,229, or 74.9% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$56,803 or 10.8%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$350,117	\$175,585	\$525,702
Operating grants, contributions and restricted interest	611,671	91,912	703,583
Capital grants, contributions and restricted interest	4,000	-	4,000
General revenues:			
Property tax	2,370,298	-	2,370,298
Local option sales & service tax	36,193	-	36,193
Unrestricted state grants	2,722,972	-	2,722,972
Unrestricted investment earnings	10,626	115	10,741
Other	23,275	10,000	33,275
Total revenues	\$6,129,152	\$277,612	\$6,406,764
Program expenses:			
Governmental activities:			
Instruction	\$3,947,418	\$-	\$3,947,418
Support services	1,834,294	-	1,834,294
Non-instructional programs	39,685	274,906	314,591
Other expenses	348,389	-	348,389
Total expenses	\$6,169,786	\$274,906	\$6,444,692
Change in net assets	-\$40,634	\$2,706	-\$37,928

Property tax and unrestricted state grants account for 79% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$6,129,152 and expenses were \$6,169,786. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,947,418	\$3,313,634
Support services	1,834,294	1,744,953
Non-instructional programs	39,685	39,685
Other expenses	348,389	105,726
Totals	\$6,169,786	\$5,203,998

- The cost financed by users of the District's programs was \$350,117.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$611,671.
- The net cost of governmental activities was financed with \$2,370,298 in property and other taxes and \$2,722,972 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$277,612, which included \$10,000 transferred from the General Fund to the Swimming Pool Fund, and expenses were \$274,906. The District's business type activities include the School Nutrition Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,450,438, less than last year's ending fund balances of \$1,491,072.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenue was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$210,894 to \$167,365, due in part to the existing expenditure commitments of the District. Staff reductions were made to help control these increased expenditures.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$179,848 less than budgeted receipts, a variance of 2.7%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2004, the District had invested \$996,887, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.7 % from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$125,956.

The original cost of the District's capital assets was \$6,094,710. Governmental funds account for \$6,069,045, with the remainder of \$25,665 accounted for in the Proprietary, School Nutrition Fund and Swimming Pool Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$37,965	\$37,965	\$-	\$-	\$37,965	\$37,965	0.0%
Buildings	681,934	670,267	-	-	681,934	670,267	1.7%
Improvements other than buildings	13,102	13,830	-	-	13,102	13,830	-5.3%
Furniture and equipment	253,960	218,924	9,926	10,797	263,886	229,721	14.9%
Totals	\$986,961	\$940,986	\$9,926	\$10,797	\$996,887	\$951,783	4.7%

### Long-Term Debt

At June 30, 2004, the District had \$59,152 in other long-term debt outstanding. This represents a decrease of 1.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
Early retirement	\$24,201	\$25,682	-5.7%
Compensated absences	34,951	34,381	.3%
Totals	\$59,152	\$60,063	-1.5%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future:

- On July 1, 2004, the District issued \$930,000 in General Obligation School Capital Loan Notes, bearing 1.9-4.3% interest rates and maturing June 1, 2005-2014. The purpose of the loan is for repairing, remodeling, reconstructing, improving and expanding school buildings.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck IA 50669.

## **Basic Financial Statements**

## Gladbrook-Reinbeck Community School District

## Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 962,332	\$ 23,483	\$ 985,815
Receivables:			
Property tax:			
Delinquent	32,540	-	32,540
Succeeding year	2,257,387	-	2,257,387
Accounts	3,196	192	3,388
Accrued interest-other	20	-	20
Due from other funds	346	-	346
Due from other governments	44,425	-	44,425
Inventories	-	3,860	3,860
Capital assets, net of accumulated depreciation	986,961	9,926	996,887
<b>Total Assets</b>	<b>\$ 4,287,207</b>	<b>\$ 37,461</b>	<b>\$ 4,324,668</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	\$ -	\$ 673	\$ 673
Accounts payable	49,254	1,763	51,017
Salaries and benefits payable	470,976	4,982	475,958
Deferred revenue-succeeding year property tax	2,257,387	-	2,257,387
Other	-	4,231	4,231
Long-term liabilities:			
Portion due within one year:			
Early retirement	16,481	-	16,481
Compensated absences	34,951	-	34,951
Portion due after one year:			
Early retirement	7,720	-	7,720
<b>Total Liabilities</b>	<b>\$ 2,836,769</b>	<b>\$ 11,649</b>	<b>\$ 2,848,418</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 986,961	\$ 9,926	\$ 996,887
Restricted for:			
Other special revenue purposes	8,840	-	8,840
Unrestricted	454,637	15,886	470,523
<b>Total Net Assets</b>	<b>\$ 1,450,438</b>	<b>\$ 25,812</b>	<b>\$ 1,476,250</b>

See notes to financial statements.



**Gladbrook-Reinbeck Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

			Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Charges for Services		
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,678,080	\$ 85,095	\$ 302,309	\$ -
Special instruction	753,106	26,037	42,958	-
Other instruction	516,232	161,908	15,477	-
	<u>\$ 3,947,418</u>	<u>\$ 273,040</u>	<u>\$ 360,744</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 141,964	\$ -	\$ 4,764	\$ -
Instructional staff services	178,926	-	6,500	-
Administration services	600,399	-	1,000	-
Operation and maintenance of plant services	579,043	315	-	-
Transportation services	331,150	73,503	-	-
Community services	2,812	3,259	-	-
	<u>\$ 1,834,294</u>	<u>\$ 77,077</u>	<u>\$ 12,264</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 39,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 109,726	\$ -	\$ -	\$ 4,000
AEA flow-through	238,663	-	238,663	-
	<u>\$ 348,389</u>	<u>\$ -</u>	<u>\$ 238,663</u>	<u>\$ 4,000</u>
Total Governmental Activities	<u>\$ 6,169,786</u>	<u>\$ 350,117</u>	<u>\$ 611,671</u>	<u>\$ 4,000</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 258,088	\$ 167,756	\$ 91,912	\$ -
Swimming pool	16,818	7,829	-	-
	<u>\$ 274,906</u>	<u>\$ 175,585</u>	<u>\$ 91,912</u>	<u>\$ -</u>
Total	<u>\$ 6,444,692</u>	<u>\$ 525,702</u>	<u>\$ 703,583</u>	<u>\$ 4,000</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,290,676	\$	-	\$ -2,290,676
	-684,111		-	-684,111
	-338,847		-	-338,847
\$	-3,313,634	\$	-	\$ -3,313,634
\$	-137,200	\$	-	\$ -137,200
	-172,426		-	-172,426
	-599,399		-	-599,399
	-578,728		-	-578,728
	-257,647		-	-257,647
	447		-	447
\$	-1,744,953	\$	-	\$ -1,744,953
\$	-39,685	\$	-	\$ -39,685
\$	-105,726	\$	-	\$ -105,726
	-		-	-
\$	-105,726	\$	-	\$ -105,726
\$	-5,203,998	\$	-	\$ -5,203,998
\$	-	\$	1,580	1,580
	-		-8,989	-8,989
\$	-	\$	-7,409	\$ -7,409
\$	-5,203,998	\$	-7,409	\$ -5,211,407

**Gladbrook-Reinbeck Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 2,297,144	\$ -	\$ 2,297,144
73,154	-	73,154
36,193	-	36,193
2,722,972	-	2,722,972
10,626	115	10,741
23,275	10,000	33,275
<hr/>		
\$ 5,163,364	\$ 10,115	\$ 5,173,479
<hr/>		
\$ -40,634	\$ 2,706	\$ -37,928
1,491,072	23,106	1,514,178
<hr/>		
\$ 1,450,438	\$ 25,812	\$ 1,476,250
<hr/>		

## Gladbrook-Reinbeck Community School District

Balance Sheet  
Governmental Funds

June 30, 2004

	General	Management	Non-major Special Revenue	Total
<b>Assets</b>				
Cash and Pooled Investments:				
Other	\$ 574,624	\$ 198,303	\$ 189,405	\$ 962,332
Receivables:				
Property Tax:				
Delinquent	30,010	1,479	1,051	32,540
Succeeding year	1,950,090	125,000	182,297	2,257,387
Accounts	466	-	2,730	3,196
Accrued interest-other	-	-	20	20
Due from other funds	346	-	-	346
Due from other governments	44,425	-	-	44,425
<b>Total Assets</b>	<b>\$ 2,599,961</b>	<b>324,782</b>	<b>\$ 375,503</b>	<b>\$ 3,300,246</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 11,530	\$ -	\$ 37,724	\$ 49,254
Salaries and benefits payable	470,976	-	-	470,976
Deferred Revenue:				
Succeeding year property tax	1,950,090	125,000	182,297	2,257,387
<b>Total Liabilities</b>	<b>\$ 2,432,596</b>	<b>125,000</b>	<b>\$ 220,021</b>	<b>\$ 2,777,617</b>
Fund Balances:				
Reserved	\$ 8,840	-	\$ -	\$ 8,840
Unreserved	158,525	199,782	155,482	513,789
<b>Total Fund Balances</b>	<b>\$ 167,365</b>	<b>199,782</b>	<b>\$ 155,482</b>	<b>\$ 522,629</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,599,961</b>	<b>324,782</b>	<b>\$ 375,503</b>	<b>\$ 3,300,246</b>

See notes to financial statements.

## Gladbrook-Reinbeck Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (page 15)</b>	\$ 522,629
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	986,961
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	-59,152
<b>Net assets of governmental activities (page 12)</b>	<u><u>\$ 1,450,438</u></u>

## Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2004

	General	Management	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,197,886	\$ 99,329	\$ 73,082	\$ 2,370,297
Tuition	41,013	-	-	41,013
Other	171,454	2,706	209,038	383,198
Intermediate sources	-	-	-	-
State sources	3,168,756	92	72	3,168,920
Federal sources	165,724	-	-	165,724
Total Revenues	\$ 5,744,833	\$ 102,127	\$ 282,192	\$ 6,129,152
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,596,117	\$ 45,681	\$ -	\$ 2,641,798
Special instruction	753,106	-	-	753,106
Other instruction	401,031	-	162,835	563,866
	\$ 3,750,254	\$ 45,681	\$ 162,835	\$ 3,958,770
Support Services:				
Student services	\$ 137,299	\$ 4,665	\$ -	\$ 141,964
Instructional staff services	174,931	4,000	-	178,931
Administration services	581,724	14,580	-	596,304
Operation and maintenance of plant services	528,605	16,260	29,331	574,196
Transportation services	338,634	14,425	22,065	375,124
Community services	-	2,812	-	2,812
	\$ 1,761,193	\$ 56,742	\$ 51,396	\$ 1,869,331
Non-instructional programs	\$ 28,252	\$ 1,931	-	30,183
Other Expenditures:				
Facilities acquisition	\$ -	-	\$ 109,726	\$ 109,726
AEA flow-through	238,663	-	-	238,663
	\$ 238,663	\$ -	\$ 109,726	\$ 348,389
Total Expenditures	\$ 5,778,362	\$ 104,354	\$ 323,957	\$ 6,206,673
Excess (deficiency) of revenues over (under) expenditures	\$ -33,529	\$ -2,227	\$ -41,765	\$ -77,521
Other Financing Sources (Uses):				
Operating transfers out	-10,000	-	-	-10,000
Net change in fund balances	\$ -43,529	\$ -2,227	\$ -41,765	\$ -87,521
Fund balances beginning of year, as restated (Note 12)	210,894	202,009	197,247	610,150
Fund Balances End of Year	\$ 167,365	\$ 199,782	\$ 155,482	\$ 522,629

See notes to financial statements.

## Gladbrook-Reinbeck Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2004**

**Net change in fund balances – total governmental funds (page 17)** \$ -87,521

*Amounts reported for governmental activities in the Statement of Activities are  
different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 169,297	
Depreciation expense	-123,322	45,975

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 16,482	
Compensated absences	34,381	
New retirement	-15,000	
New compensated absences	-34,951	912

**Change in Net Assets of Governmental Activities (page 14)** \$ -40,634



## Gladbrook-Reinbeck Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Swimming Pool	School Nutrition	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 23,483	\$ 23,483
Accounts receivable	-	192	192
Inventories	-	3,860	3,860
Capital assets, net of accumulated depreciation	1,763	8,163	9,926
<b>Total Assets</b>	<b>\$ 1,763</b>	<b>\$ 35,698</b>	<b>\$ 37,461</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	\$ 673	\$ -	\$ 673
Accounts payable	1,763	-	1,763
Salaries and benefits payable	4,982	-	4,982
Deferred revenue	-	4,231	4,231
<b>Total Liabilities</b>	<b>\$ 7,418</b>	<b>\$ 4,231</b>	<b>\$ 11,649</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,763	\$ 8,163	\$ 9,926
Unrestricted	-7,418	23,304	15,886
<b>Total Net Assets</b>	<b>\$ -5,655</b>	<b>\$ 31,467</b>	<b>\$ 25,812</b>

See notes to financial statements.

## Gladbrook-Reinbeck Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

June 30, 2004

	Swimming Pool	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 7,829	\$ 167,756	\$ 175,585
Operating expenses:			
Non-instructional programs:			
Food service and pool operations:			
Salaries	\$ 14,112	\$ 86,042	\$ 100,154
Benefits	1,125	11,241	12,366
Purchased services	640	765	1,405
Supplies	941	157,406	158,347
Depreciation	-	2,634	2,634
Total operating expenses	\$ 16,818	\$ 258,088	\$ 274,906
Operating loss	\$ -8,989	\$ -90,332	\$ -99,321
Non-operating revenues:			
State sources	\$ -	\$ 4,277	\$ 4,277
Federal sources	-	87,635	87,635
Interest income	-	115	115
Total non-operating revenues	\$ -	\$ 92,027	\$ 92,027
Net income (loss)	\$ -8,989	\$ 1,695	\$ -7,294
Other financing sources:			
Operating transfer in	10,000	-	10,000
Change in net assets	\$ 1,011	\$ 1,695	\$ 2,706
Net assets beginning of year	-6,666	29,772	23,106
Net Assets End of Year	\$ -5,655	\$ 31,467	\$ 25,812

See notes to financial statements.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 168,321
Cash paid to employees for services	-97,283
Cash paid to suppliers for goods or services	-139,386
Net cash used by operating activities	<u>\$ -68,348</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,277
Federal grants received	69,141
Net cash provided by non-capital financing activities	<u>\$ 73,418</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 115</u>
Net increase in cash and cash equivalents	\$ 5,185
Cash and cash equivalents beginning of year	<u>18,298</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 23,483</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -90,332
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,299
Depreciation	2,633
Decrease in inventories	47
(Increase) in accounts receivable	-192
(Decrease) in accounts payable	-560
Increase in deferred revenue	<u>757</u>
Net Cash Used by Operating Activities	<u><u>\$ -68,348</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$18,495 of federal commodities.

Gladbrook-Reinbeck Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

	Swimming Pool
Cash flows from operating activities:	
Cash received from services	\$ 7,829
Cash paid to employees for services	-14,789
Cash paid to suppliers for goods or services	-1,643
Net cash used by operating activities	<u>\$ -8,603</u>
Cash flows from capital and related financing activities:	
Transfer from General Fund	<u>\$ 10,000</u>
Net increase in cash and cash equivalents	\$ 1,397
Cash and cash equivalents beginning of year	<u>-2,070</u>
Cash and Cash Equivalents End of Year	<u><u>\$ -673</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -8,989
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Decrease) in accounts payable	-63
Increase in salaries and benefits payable	<u>449</u>
Net Cash Used by Operating Activities	<u><u>\$ -8,603</u></u>

**Gladbrook-Reinbeck Community School District**

**Statement of Fiduciary Net Assets  
Fiduciary Funds**

**June 30, 2004**

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 10
Accounts receivable	<u>346</u>
<b>Total Assets</b>	<u>\$ 356</u>
<b>Liabilities</b>	
Accounts payable	\$ 10
Due to other fund	<u>346</u>
Total Liabilities	<u>\$ 356</u>
<b>Net assets</b>	
Reserved	<u><u>\$ -</u></u>

See notes to financial statements.

## **Gladbrook-Reinbeck Community School District**

### **Notes to Financial Statements**

**June 30, 2004**

#### **(1) Summary of Significant Accounting Policies**

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa and portions of the predominately agricultural territories in Black Hawk, Marshall, Tama and Grundy Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Gladbrook-Reinbeck Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Gladbrook-Reinbeck Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for all resources derived from special sources which are required by law or regulation to be accounted for in a separate fund.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Swimming Pool Fund. These funds are used to account for the food service operations of the District and the pool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.



Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Agency Fund	General Fund	\$ 346

The Agency Fund owes the General Fund for expenses paid under a grant. The balance will be repaid when the grant money is received.

**(4) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Enterprise Fund	General Fund	\$ 10,000
Swimming pool		

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 12)	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 37,965	\$ -	\$ -	\$ 37,965
Total capital assets not being depreciated	\$ 37,965	\$ -	\$ -	\$ 37,965
Capital assets being depreciated:				
Buildings	\$ 2,638,115	\$ 60,215	\$ -	\$ 2,698,330
Improvements other than buildings	324,079	-	-	324,079
Furniture and equipment	2,937,589	109,082	38,000	3,008,671
Total capital assets being depreciated	\$ 5,899,783	\$ 169,297	\$ 38,000	\$ 6,031,080
Less accumulated depreciation for:				
Buildings	\$ 1,967,848	\$ 48,548	\$ -	\$ 2,016,396
Improvements other than buildings	310,249	728	-	310,977
Furniture and equipment	2,718,665	74,046	38,000	2,754,711
Total accumulated depreciation	\$ 4,996,762	\$ 123,322	\$ 38,000	\$ 5,082,084
Total capital assets being depreciated, net	\$ 903,021	\$ 45,975	\$ -	\$ 948,996
Governmental Activities Capital Assets, Net	\$ 940,986	\$ 45,975	\$ -	\$ 986,961
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Nutrition Fund:				
Furniture and equipment	\$ 23,902	\$ -	\$ -	\$ 23,902
Less accumulated depreciation	13,105	2,634	-	15,739
	\$ 10,797	\$ -2,634	\$ -	\$ 8,163
Swimming Pool:				
Furniture and equipment	\$ -	\$ 1,763	\$ -	\$ 1,763
Less accumulated depreciation	-	-	-	-
	\$ -	\$ 1,763	\$ -	\$ 1,763
Business Type Activities Capital Assets, Net	\$ 10,797	\$ -871	\$ -	\$ 9,926

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$	63,182
Special		-
Other		13,614

Support services:

Administration		3,925
Operation and maintenance of plant		4,272
Transportation		38,229

Non-instructional		100
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Total Depreciation Expense – Governmental Activities	\$	123,322
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Business Type Activities:

Food service operations	\$	2,634
Swimming pool operations	\$	-

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Early retirement	\$ 25,682	\$ 15,000	\$ 16,481	\$ 24,201	\$ 16,481
Compensated absences	34,381	2,734	2,164	34,951	34,951
Total	\$ 60,063	\$ 17,734	\$ 18,645	\$ 59,152	\$ 51,432

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2004 totaled \$16,481.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$185,650, \$184,408 and \$177,240, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Gladbrook-Reinbeck Community School is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$465,215.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage. As of July 1, 2004, the risk pool was fully funded.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

Gladbrook-Reinbeck Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$238,663 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Equity**

The Enterprise, Swimming Pool Fund has a deficit unreserved net assets balance of \$5,655 at June 30, 2004.

The Capital Projects Fund has a deficit unreserved fund balance of \$24,614 at June 30, 2004.

**(11) Subsequent Events**

On July 1, 2004, the District issued \$930,000 in General Obligation School Capital Loan Notes, bearing 1.9-4.3% interest rates, and maturing June 1, 2005-2014.

(12) **Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			
	General	Management	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 210,894	\$ 202,009	\$ 197,247	\$ 610,150
GASB Interpretation 6 adjustments	-	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 210,894</u>	<u>\$ 202,009</u>	<u>\$ 197,247</u>	<u>\$ 610,150</u>
GASB 34 Adjustments:				
Capital assets, net of accumulated depreciation of \$4,996,762				940,985
Long-Term Liabilities:				
Early retirement			\$ 25,682	
Compensated absences			<u>34,381</u>	<u>-60,063</u>
Net Assets July 1, 2003, as Restated				<u>\$ 1,491,072</u>

## **Required Supplementary Information**

**Gladbrook-Reinbeck Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2004**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,804,054	\$ 176,266
Intermediate sources	-	-
State sources	3,161,565	3,860
Federal sources	175,091	69,557
Total Receipts	<u>\$ 6,140,710</u>	<u>\$ 249,683</u>
Disbursements:		
Instruction	\$ 3,976,609	\$ -
Support services	1,877,379	-
Non-instructional programs	32,996	253,101
Other expenditures	313,087	-
Total Disbursements	<u>\$ 6,200,071</u>	<u>\$ 253,101</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -59,361	\$ -3,418
Other financing sources, net	<u>-10,000</u>	<u>10,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -69,361	\$ 6,582
Balances beginning of year	<u>1,031,693</u>	<u>16,228</u>
Balances End of Year	<u><u>\$ 962,332</u></u>	<u><u>\$ 22,810</u></u>

See accompanying independent auditor's report.



	Total Actual		Budgeted Amounts Original		Final To Actual Variance
\$	2,980,320	\$	2,927,714	\$	52,606
	-		-		-
	3,165,425		3,359,527		-194,102
	244,648		283,000		-38,352
\$	6,390,393	\$	6,570,241	\$	-179,848
\$	3,976,609	\$	4,193,000	\$	216,391
	1,877,379		2,059,300		181,921
	286,097		317,300		31,203
	313,087		345,811		32,724
\$	6,453,172	\$	6,915,411	\$	462,239
\$	-62,779	\$	-345,170	\$	282,391
	-		-		-
\$	-62,779	\$	-345,170	\$	282,391
	1,047,921		796,649		251,272
\$	985,142	\$	451,479	\$	533,663

**Gladbrook-Reinbeck Community School District**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2004**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,140,710	\$ -11,558	\$ 6,129,152
Expenditures	6,200,071	6,602	6,206,673
Net	\$ -59,361	\$ -18,160	\$ -77,521
Other financing sources, net	-10,000	-	-10,000
Beginning fund balances	1,031,693	-421,543	610,150
Ending Fund Balances	\$ 962,332	\$ -439,703	\$ 522,629
	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 249,683	\$ 17,927	\$ 267,612
Expenses	253,101	21,805	274,906
Net	\$ -3,418	\$ -3,876	\$ -7,294
Other financing sources, net	10,000	-	10,000
Beginning net assets	16,228	6,878	23,106
Ending Net Assets	\$ 22,810	\$ 3,002	\$ 25,812

See accompanying independent auditor's report.

**Gladbrook-Reinbeck Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **Other Supplementary Information**

## Gladbrook-Reinbeck Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2004

	Capital Projects	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 7,958	\$ 82,695	\$ 98,752	\$ 189,405
Receivables:				
Property Tax:				
Delinquent	-	-	1,051	1,051
Succeeding year	-	-	182,297	182,297
Accounts	2,730	-	-	2,730
Accrued interest	-	20	-	20
<b>Total Assets</b>	<b>\$ 10,688</b>	<b>\$ 82,715</b>	<b>\$ 282,100</b>	<b>\$ 375,503</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 35,302	\$ 2,422	\$ -	\$ 37,724
Deferred revenue:				
Succeeding year property tax	-	-	182,297	182,297
Total Liabilities	\$ 35,302	\$ 2,422	\$ 182,297	\$ 220,021
Fund Equity:				
Unreserved fund balances	-24,614	80,293	99,803	155,482
<b>Total Liabilities and Fund Equity</b>	<b>\$ 10,688</b>	<b>\$ 82,715</b>	<b>\$ 282,100</b>	<b>\$ 375,503</b>

See accompanying independent auditor's report.

## Gladbrook-Reinbeck Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds

Year Ended June 30, 2004

	Capital Projects	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ -	\$ 73,082	\$ 73,082
Other	40,250	167,548	1,240	209,038
State sources	-	-	72	72
Total Revenues	\$ 40,250	\$ 167,548	\$ 74,394	\$ 282,192
Expenditures:				
Current:				
Instruction:				
Other instruction	\$ -	\$ 162,835	\$ -	\$ 162,835
Support Services:				
Operation and maintenance of plant services	-	-	29,331	29,331
Transportation services	-	-	22,065	22,065
Other Expenditures:				
Facilities acquisition	90,251	-	19,475	109,726
Total Expenditures	\$ 90,251	\$ 162,835	\$ 70,871	\$ 323,957
Excess (deficiency) of revenues over (under) expenditures	\$ -50,001	\$ 4,713	\$ 3,523	\$ -41,765
Fund balances beginning of year, as restated	25,387	75,580	96,280	197,247
Fund Balances End of Year	\$ -24,614	\$ 80,293	\$ 99,803	\$ 155,482

## Gladbrook-Reinbeck Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 6,476	\$ 5,415	\$ 3,299	\$ -	\$ 8,592
Vocal music	1,164	3,371	2,852	-	1,683
High School music fundraiser	1,437	2,405	1,558	-	2,284
Instrumental music	2,814	2,202	1,377	-	3,639
Band fundraisers	687	2,404	1,558	-	1,533
General athletics	10,385	1,200	5,835	-	5,750
Cross Country	-	710	710	-	-
Golf	-	30	30	-	-
Boys basketball	-	2,919	2,919	-	-
Girls basketball fundraiser	1,434	-	1,434	-	-
Boys basketball fundraiser	310	1,955	1,317	-	948
Football	-	12,148	12,148	-	-
Soccer	-	3,270	3,270	-	-
Baseball	-	1,702	1,702	-	-
Boys track	-	507	507	-	-
Wrestling fundraiser	955	100	1,055	-	-
Wrestling	-	4,678	4,678	-	-
Girls basketball	-	2,408	2,408	-	-
Volleyball	-	3,541	3,541	-	-
Softball fundraiser	117	-	117	-	-
Softball	-	3,216	3,216	-	-
Girls track	-	588	588	-	-
Activity tickets	5,448	13,868	13,868	-	5,448
Athletic resale	588	2,456	2,288	-	756
Cheerleaders	351	76	425	-	2
Class of 2003	471	-	471	-	-
Class of 2004	4,668	2,949	7,302	-	315
Class of 2005	774	13,539	9,305	-	5,008
Class of 2006	298	539	33	-	804
Class of 2007	-	575	-30	-	605
FFA	324	17,390	17,470	-	244
FHA	518	-	-	-	518
Foreign Friends	293	87	81	-	299
Peer Helper	381	479	634	-	226
Interest from investments	10,969	760	5,309	-	6,420
National Honor Society	-	215	-103	-	318
Resale	15	-	-	-	15
Renovation Club	521	-	180	-	341
Student Council-High School	1,194	17,014	12,902	-	5,306
SADD	913	2,286	1,108	-	2,091
Yearbook	-	10,033	10,033	-	-
Speech	-	80	80	-	-

## Gladbrook-Reinbeck Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Elementary Student Council:					
Reinbeck	\$ 406	\$ 2,439	\$ 2,620	\$ -	\$ 225
Gladbrook	1,542	66	560	-	1,048
Middle School:					
Activities	8,204	14,604	12,717	-	10,091
Gifts and donations	30	-	-	-	30
Pictures	3,712	5,965	2,900	-	6,777
Special events	324	-	-	-	324
Student Council	7,122	7,359	6,205	-	8,276
SADD	735	-	358	-	377
Total	\$ 75,580	\$ 167,548	\$ 162,835	\$ -	\$ 80,293



## Gladbrook-Reinbeck Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Fund

Year Ended June 30, 2004

	Balance Beginning Of Year	Additions	Deductions	Balance End Of Year
<b>Assets</b>				
Cash	\$ -	\$ 2,055	\$ 2,045	\$ 10
Accounts receivable	-	346	-	346
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 2,401</b>	<b>\$ 2,045</b>	<b>\$ 356</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 2,055	\$ 2,045	\$ 10
Due to other fund	-	346	-	346
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,401</b>	<b>\$ 2,045</b>	<b>\$ 356</b>

## Gladbrook-Reinbeck Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 2,370,297	\$ 2,366,030	\$ 2,218,328
Tuition	41,013	40,974	39,399
Other	383,198	344,367	309,971
Intermediate sources	-	-	-
State sources	3,168,920	3,137,564	3,056,962
Federal sources	165,724	129,369	202,605
Total	<u>\$ 6,129,152</u>	<u>\$ 6,018,304</u>	<u>\$ 5,827,265</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,641,798	\$ 2,689,332	\$ 2,715,574
Special instruction	753,106	675,495	649,887
Other instruction	563,866	543,622	513,266
Support services:			
Student services	141,964	149,115	141,944
Instructional staff services	178,931	168,311	170,463
Administrative services	596,304	576,612	557,673
Operation and maintenance of plant services	574,196	606,775	522,760
Transportation services	375,124	354,533	335,780
Community services	2,812	468	472
Non-instructional programs	30,183	23,112	21,479
Other expenditures:			
Facilities acquisition	109,726	36,841	71,433
AEA flow-through	238,663	247,264	257,050
Total	<u>\$ 6,206,673</u>	<u>\$ 6,071,480</u>	<u>\$ 5,957,781</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance  
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Gladbrook-Reinbeck Community School District:

I have audited the financial statements of Gladbrook-Reinbeck Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated September 1, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gladbrook-Reinbeck Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except for items II-K-04.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Gladbrook-Reinbeck Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 and I-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for item I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Gladbrook-Reinbeck Community School District and other parties to whom Gladbrook-Reinbeck Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Gladbrook-Reinbeck Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, reading "Keith Oltrogge", is centered on a light blue background. The signature is written in a cursive, flowing style.

Keith Oltrogge  
Certified Public Accountant

September 1, 2004

**Gladbrook-Reinbeck Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- I-B-04 Signature Stamp – I noted a signature stamp bearing the name of the Board President is under the control and use of someone other than the person whose name appears on it. This, for all practical purposes, negates the control established by requiring two signatures on checks.

Recommendation – I recommend that if a stamp is to be used, it should be under the custody and use of the person whose name appears on it. One alternative would be for the Board to designate another Board Member as an authorized signature during the unavailability of the President.

Response – The District will take the recommendation under consideration and seek alternatives to current practices.

Conclusion – Response accepted.

## Gladbrook-Reinbeck Community School District

### Schedule of Findings

Year Ended June 30, 2004

#### Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Bearden, Board Member Owner of Bearden's	Supplies/Shipping	\$114
Turfmaster Owned by Jeff Charley, Employee	Maintenance	\$11,893
Donna Cooley Mother of Board Member	Catering	\$3,375
Norm Beu, Employee	Service	\$37

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- II-K-04 Financial Condition – The Enterprise, Swimming Pool Fund had a deficit net assets balance of \$5,655 at June 30, 2004. The Capital Projects Fund had a deficit fund balance of \$24,614 at June 30, 2004.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the District to a sound financial condition.

Response – We are working on this.

Conclusion – Response accepted.